

VILLAGE OF CENTRAL LAKE
CENTRAL LAKE, MICHIGAN

REPORT ON FINANCIAL STATEMENTS
FOR THE YEAR ENDED FEBRUARY 29, 2008

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

| | | | |
|--|------------------------------|--|------------------|
| Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input checked="" type="checkbox"/> Village <input type="checkbox"/> Other | | Local Unit Name Central Lake | County Antrim |
| Fiscal Year End February 29, 2008 | Opinion Date May 20, 2008 | Date Audit Report Submitted to State May 28, 2008 | |

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

SE
2

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.


| | | | |
|--|-------------------------------------|--|-------------------------|
| We have enclosed the following: | Enclosed | Not Required (enter a brief justification) | |
| Financial Statements | <input checked="" type="checkbox"/> | | |
| The letter of Comments and Recommendations | <input checked="" type="checkbox"/> | | |
| Other (Describe) | <input type="checkbox"/> | | |
| Certified Public Accountant (Firm Name) Barry E. Gaudette, CPA, PC | | Telephone Number (231) 946-8930 | |
| Street Address 731 S. Garfield Avenue | | City Traverse City | State MI |
| | | Zip 49686 | |
| Authorizing CPA Signature  | | Printed Name Barry E. Gaudette, CPA | License Number 11050 |

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INTRODUCTORY SECTION

Village of Central Lake
List of Elected Officials and Village Officers
February 29,

| | |
|-------------------------|---|
| Larry Eckhardt | President |
| Brian Patton | President Pro Tem/ Trustee |
| Greta Powers | Clerk/Treasurer |
| Karen Thomas | Trustee |
| Lela Clark | Trustee |
| Ken Kruse | Trustee |
| Denise Batterbee-Arnold | Trustee |
| David Kotwick | Trustee |
| Susan Tschirhart | Deputy Clerk/ Recording Secretary |

FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

Members of the Village Council
Village of Central Lake
Central Lake, Michigan

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Central Lake, Michigan, as of and for the year ended February 29, 2008 which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village of Central Lake, Michigan's management. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinions.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Central Lake, Michigan, as of February 29, 2008, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Village of Central Lake
Independent Auditors' Report
Page Two

The financial statements referred to above do not include the Management Discussion and Analysis, which is required supplementary information and should be included in order to conform with accounting principles generally accepted in the United States of America.

Barry E. Sandlett, P.C., P.C.

May 20, 2008

BASIC FINANCIAL STATEMENTS

**Village of Central Lake
Statement of Net Assets
February 29, 2008**

| | Governmental | Business -Type | Totals |
|--|---------------------|---------------------------|--------------------|
| | Activities | Activities | |
| ASSETS | | | |
| Cash and cash equivalents | \$ 398,317 | \$ 343,551 | \$ 741,868 |
| Receivables, net | 16,034 | 25,448 | 41,482 |
| Inventory | | 9,000 | 9,000 |
| Restricted cash | | 71,620 | 71,620 |
| Prepaid expenses | 3,408 | | 3,408 |
| Due from other funds | 6,271 | | 6,271 |
| Capital assets (net of accumulated depreciation): | | | |
| Land and improvements | 16,400 | 51,070 | 67,470 |
| Machinery and equipment | 61,024 | 25,873 | 86,897 |
| Vehicles | 25,456 | | 25,456 |
| Parks & recreation | 9,962 | | 9,962 |
| Streetscape improvements | 656,018 | | 656,018 |
| Sewer system | | 801,426 | 801,426 |
| Water system | | 692,904 | 692,904 |
| | <u>1,192,890</u> | <u>2,020,892</u> | <u>3,213,782</u> |
| Total assets | | | |
| LIABILITIES | | | |
| Accounts payable | 6,797 | 1,096 | 7,893 |
| Accrued interest | | 2,707 | 2,707 |
| Customer deposits | | 3,134 | 3,134 |
| Due to other funds | | 6,271 | 6,271 |
| Noncurrent liabilities: | | | |
| Due within one year | | 25,000 | 25,000 |
| Due in more than one year | | 255,000 | 255,000 |
| | <u>6,797</u> | <u>293,208</u> | <u>300,005</u> |
| Total liabilities | | | |
| NET ASSETS | | | |
| Invested in capital assets, net of related debt | 768,860 | 1,291,273 | 2,060,133 |
| Restricted for: | | | |
| Debt service | | 71,620 | 71,620 |
| Unrestricted | 417,233 | 364,791 | 782,024 |
| | <u>417,233</u> | <u>364,791</u> | <u>782,024</u> |
| Total net assets | <u>\$1,186,093</u> | <u>\$1,727,684</u> | <u>\$2,913,777</u> |

See notes to financial statements

Village of Central Lake
Statement of Activities
For the Year Ended February 29, 2008

| Functions /Programs | Expenses | Program Revenues | | |
|---------------------------------------|-------------------|----------------------------|---|---|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions |
| Governmental activities: | | | | |
| Legislative | \$ 6,263 | \$ | \$ | \$ |
| General | | | | |
| government | 71,936 | | | |
| Public safety | 45,616 | 2,757 | 1,310 | |
| Public works | 251,674 | 71,707 | 84,575 | |
| Community/ economic development | 77 | | | |
| Recreation & culture | 51,449 | | | |
| Other | <u>85,597</u> | | | |
| Total governmental activities | 512,612 | 74,464 | 85,885 | |
| Business-type activities: | | | | |
| Sewer | 47,477 | 22,754 | | 224,692 |
| Water | <u>114,453</u> | <u>91,072</u> | | |
| Total | <u>\$ 674,542</u> | <u>\$188,290</u> | <u>\$ 85,885</u> | <u>\$ 224,692</u> |

General revenues:

Property taxes & administrative fees
State revenue sharing
Interest earnings
Rentals
Miscellaneous
Sale of assets
Refunds and rebates

Total general revenues

Change in net assets

Net assets - beginning

Net assets - ending

See notes to financial statements

Net(Expense) Revenue and
Changes in Net Assets

| <u>Governmental Activities</u> | <u>Business-type Activities</u> | <u>Total</u> |
|------------------------------------|-------------------------------------|---------------------|
| \$ (6,263) | \$ | \$ (6,263) |
| (71,936) | | (71,936) |
| (41,549) | | (41,549) |
| (95,392) | | (95,392) |
| (77) | | (77) |
| (51,449) | | (51,449) |
| <u>(85,597)</u> | | <u>(85,597)</u> |
| (352,263) | | (352,263) |
| | 199,969 | 199,969 |
| | <u>(23,381)</u> | <u>(23,381)</u> |
| <u>(352,263)</u> | <u>176,588</u> | <u>(175,675)</u> |
| 306,945 | 27,531 | 334,476 |
| 88,218 | | 88,218 |
| 13,006 | 16,311 | 29,317 |
| 55,327 | | 55,327 |
| 5,565 | 64 | 5,629 |
| 2,948 | | 2,948 |
| <u>4,531</u> | | <u>4,531</u> |
| <u>476,540</u> | <u>43,906</u> | <u>520,446</u> |
| 124,277 | 220,494 | 344,771 |
| <u>1,061,816</u> | <u>1,507,190</u> | <u>2,569,006</u> |
| <u>\$1,186,093</u> | <u>\$1,727,684</u> | <u>\$ 2,913,777</u> |

Village of Central Lake
Balance Sheet
Governmental Funds
February 29, 2008

| | <u>General</u> | <u>Major Street</u> | <u>Local Street</u> | <u>Total Governmental Funds</u> |
|--|-------------------|-------------------------|-------------------------|---|
| ASSETS | | | | |
| Cash and cash equivalents | \$ 133,196 | \$ 98 | \$143,074 | \$ 276,368 |
| Receivables | | 11,925 | 4,109 | 16,034 |
| Prepaid expenses | 3,408 | | | 3,408 |
| Due from other funds | <u>6,271</u> | | | <u>6,271</u> |
| Total assets | <u>\$ 142,875</u> | <u>\$ 12,023</u> | <u>\$147,183</u> | <u>\$ 302,081</u> |
| LIABILITIES AND FUND BALANCES | | | | |
| Liabilities: | | | | |
| Accounts payable | \$ 4,053 | \$ 1,381 | \$ 407 | \$ 5,841 |
| Total liabilities | <u>4,053</u> | <u>1,381</u> | <u>407</u> | <u>5,841</u> |
| Fund balances: | | | | |
| Unreserved, reported in: | | | | |
| General fund | 138,822 | | | 138,822 |
| Major street fund | | 10,642 | | 10,642 |
| Local street fund | | | <u>146,776</u> | <u>146,776</u> |
| Total fund balances | <u>138,822</u> | <u>10,642</u> | <u>146,776</u> | <u>296,240</u> |
| Total liabilities and fund balances | <u>\$ 142,875</u> | <u>\$ 12,023</u> | <u>\$147,183</u> | <u>\$ 302,081</u> |

See notes to financial statements

Village of Central Lake
Reconciliation of the Governmental Funds
Balance Sheet
With the Statement of Net Assets
February 29, 2008

Amounts reported for governmental activities in the
statement of net assets are different because:

| | |
|---|------------|
| Total Fund Balance - Governmental Funds | \$ 296,240 |
|---|------------|

Capital assets used in governmental
activities are not financial resources
and therefore are not reported as assets
in governmental funds:

| | |
|--------------------------|------------|
| Cost of capital assets | 1,288,951 |
| Accumulated depreciation | (520,091) |

Internal service funds are used by management
to charge the costs of equipment to
individual funds. The assets and liabilities
of the internal service funds are included
in governmental activities in the
statement of net assets.

120,993

| | |
|--|---------------------|
| Total Net Assets - Governmental Activities | <u>\$ 1,186,093</u> |
|--|---------------------|

See notes to financial statements

Village of Central Lake
Statement of Revenues, Expenditures, and Changes
in Fund Balances
Governmental Funds
For the Year Ended February 29, 2008

| | <u>General</u> | <u>Major Street</u> | <u>Local Street</u> | <u>Total Governmental Funds</u> |
|---|----------------|-------------------------|-------------------------|---|
| REVENUES | | | | |
| Taxes & adm. fees | \$ 205,994 | \$ | \$100,951 | \$ 306,945 |
| Intergovernmental revenue from state: | | | | |
| State revenue sharing | 88,218 | | | 88,218 |
| Liquor license fees | 1,310 | | | 1,310 |
| Streets & highways | | 58,881 | 22,052 | 80,933 |
| Metro Act payment | | 3,642 | | 3,642 |
| Charges for services | 915 | | | 915 |
| Fines and forfeits | 1,842 | | | 1,842 |
| Interest earnings | 3,694 | 102 | 6,121 | 9,917 |
| Rents and royalties | 55,327 | | | 55,327 |
| Other revenue: | | | | |
| Miscellaneous | 1,988 | 3,482 | 95 | 5,565 |
| All other refunds and rebates | <u>1,074</u> | <u>3,435</u> | <u>22</u> | <u>4,531</u> |
| Total revenues | <u>360,362</u> | <u>69,542</u> | <u>129,241</u> | <u>559,145</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| Legislative | 6,263 | | | 6,263 |
| General government | 71,936 | | | 71,936 |
| Public safety | 45,616 | | | 45,616 |
| Public works | 71,949 | 137,773 | 44,730 | 254,452 |
| Community/economic development | 77 | | | 77 |
| Recreation & culture | 50,277 | | | 50,277 |
| Other | <u>85,597</u> | | | <u>85,597</u> |
| Total expenditures | <u>331,715</u> | <u>137,773</u> | <u>44,730</u> | <u>514,218</u> |
| Excess(deficiency) of revenues over(under) expenditures | 28,647 | (68,231) | 84,511 | 44,927 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in(out) | | <u>65,600</u> | <u>(65,600)</u> | |
| Net changes in fund balances | 28,647 | (2,631) | 18,911 | 44,927 |

Village of Central Lake
Statement of Revenues, Expenditures, and Changes
in Fund Balances
Governmental Funds
For the Year Ended February 29, 2008
(Continued)

| | <u>General</u> | <u>Major Street</u> | <u>Local Street</u> | <u>Total Governmental Funds</u> |
|---------------------------------|-------------------|-------------------------|-------------------------|---|
| Net changes in fund balances | 28,647 | (2,631) | 18,911 | 44,927 |
| Fund balances - beginning | <u>110,175</u> | <u>13,273</u> | <u>127,865</u> | <u>251,313</u> |
| Fund balances - ending | <u>\$ 138,822</u> | <u>\$ 10,642</u> | <u>\$146,776</u> | <u>\$ 296,240</u> |

See notes to financial statements

Village of Central Lake
Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balance of Governmental Funds
To the Statement of Activities
For the Year Ended February 29, 2008

Amounts reported for governmental activities in the
statement of activities are different because:

| | |
|---|-----------|
| Total net change in fund balances - total governmental funds | \$ 44,927 |
|---|-----------|

Governmental funds report capital outlays
as expenditures. However, in the statement
of activities the cost of those assets is
allocated over their estimated useful lives
and reported as depreciation expense. This
is the amount by which capital outlays
exceeded depreciation in the current period.

| | |
|-----------------|-----------|
| Capital outlays | 94,162 |
| Depreciation | (69,327) |

Internal service funds are used by management
to charge the costs of equipment to
individual funds.

| | |
|---|---------------|
| The net revenue of certain activities of internal service funds is reported with governmental activities. | <u>54,515</u> |
|---|---------------|

| | |
|---|--------------------------|
| Change in net assets of governmental activities | <u><u>\$ 124,277</u></u> |
|---|--------------------------|

See notes to financial statements

Village of Central Lake
Statement of Net Assets
Proprietary Funds
February 29, 2008

| | <u>Business-type Activities -Enterprise Funds</u> | |
|--|---|------------------------------------|
| | <u>Prior Year</u> | <u>Sewer Fund Current Year</u> |
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 48,707 | \$ 49,153 |
| Receivables, net | 5,535 | 3,329 |
| Inventory | | |
| Total current assets | <u>54,242</u> | <u>52,482</u> |
| Noncurrent assets: | | |
| Restricted cash and cash equivalents | | |
| Capital assets: | | |
| Land | 38,850 | 38,850 |
| Machinery & equipment | 7,045 | 7,045 |
| Sewer system | 911,819 | 1,132,955 |
| Water system | | |
| Less accumulated depreciation | <u>(320,307)</u> | <u>(338,572)</u> |
| Total noncurrent assets | <u>637,407</u> | <u>840,278</u> |
| Total assets | <u>691,649</u> | <u>892,760</u> |
| LIABILITIES | | |
| Current liabilities: | | |
| Accounts payable | 566 | 8 |
| Accrued interest | | |
| Customer deposits | 3,134 | 3,134 |
| Due to other funds | | |
| Bonds payable | | |
| Total current liabilities | <u>3,700</u> | <u>3,142</u> |
| Noncurrent liabilities: | | |
| Bonds payable | | |
| Total liabilities | <u>3,700</u> | <u>3,142</u> |
| NET ASSETS | | |
| Invested in capital assets, net of related debt | 637,407 | 840,278 |
| Restricted for debt service | | |
| Unrestricted | <u>50,542</u> | <u>49,340</u> |
| Total net assets | <u>\$ 687,949</u> | <u>\$ 889,618</u> |

See notes to financial statements

Business-type Activities
-Enterprise Funds

Governmental Activities-

| Water Fund | | | Internal Service Funds | |
|-------------------|-------------------|---------------------|------------------------|-------------------|
| Prior Year | Current Year | Totals | Prior Year | Current Year |
| \$ 272,505 | \$ 294,398 | \$ 343,551 | \$ 70,309 | \$ 121,949 |
| 25,941 | 22,119 | 25,448 | | |
| 9,000 | 9,000 | 9,000 | | |
| <u>307,446</u> | <u>325,517</u> | <u>377,999</u> | <u>70,309</u> | <u>121,949</u> |
| 72,730 | 71,620 | 71,620 | | |
| 12,220 | 12,220 | 51,070 | | |
| 198,259 | 198,259 | 205,304 | 475,529 | 475,529 |
| 954,389 | 954,389 | 1,132,955 | | |
| | | 954,389 | | |
| (410,675) | (433,873) | (772,445) | (356,024) | (389,049) |
| 826,923 | 802,615 | 1,642,893 | 119,505 | 86,480 |
| <u>1,134,369</u> | <u>1,128,132</u> | <u>2,020,892</u> | <u>189,814</u> | <u>208,429</u> |
| 909 | 1,088 | 1,096 | 3,831 | 956 |
| 2,948 | 2,707 | 2,707 | | |
| | | 3,134 | | |
| 6,271 | 6,271 | 6,271 | | |
| 25,000 | 25,000 | 25,000 | | |
| <u>35,128</u> | <u>35,066</u> | <u>38,208</u> | <u>3,831</u> | <u>956</u> |
| 280,000 | 255,000 | 255,000 | | |
| <u>315,128</u> | <u>290,066</u> | <u>293,208</u> | <u>3,831</u> | <u>956</u> |
| 449,193 | 450,995 | 1,291,273 | 119,505 | 86,481 |
| 72,730 | 71,620 | 71,620 | | |
| <u>297,318</u> | <u>315,451</u> | <u>364,791</u> | <u>66,478</u> | <u>120,992</u> |
| <u>\$ 819,241</u> | <u>\$ 838,066</u> | <u>\$ 1,727,684</u> | <u>\$ 185,983</u> | <u>\$ 207,473</u> |

Village of Central Lake
Statement of Revenues, Expenses,
and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended February 29, 2008

| | Business-type Activities -Enterprise Funds | |
|---|---|-------------------|
| | Sewer Year | |
| | Prior Year | Current Year |
| Operating revenues: | | |
| Taxes & administrative fees | \$ | \$ |
| Charges for services | 23,965 | 20,787 |
| Equipment rentals | | |
| Other services | | 1,967 |
| Total operating revenues | <u>23,965</u> | <u>22,754</u> |
| Operating expenses: | | |
| Depreciation | 17,412 | 18,265 |
| Wages and fringes | 10,481 | 13,262 |
| Repairs & maintenance | 5,165 | 3,791 |
| Gas & oil | | |
| Equipment rental | 3,234 | 6,985 |
| Contracted services | 5,200 | 3,240 |
| Utilities | 1,259 | 1,464 |
| Miscellaneous | 2,126 | 323 |
| Insurance | | |
| Small equipment purchases | | |
| Office supplies & postage | 146 | 147 |
| Printing & publishing | | |
| Education & training | 182 | |
| Total operating expenses | <u>45,205</u> | <u>47,477</u> |
| Operating income(loss) | <u>(21,240)</u> | <u>(24,723)</u> |
| Nonoperating revenues(expenses) : | | |
| Transfer in(out) | 10,453 | |
| Special assessments | 5,625 | 3,556 |
| State grants | 68,306 | 221,136 |
| Miscellaneous revenue | | 20 |
| Sale of assets | | |
| Investment earnings | 2,250 | 1,680 |
| Interest expense | | |
| Total nonoperating revenue(expenses) | <u>86,634</u> | <u>236,392</u> |
| Change in net assets | 65,394 | 201,669 |
| Prior period adjustment | (21,390) | |
| Total net assets-beginning | <u>643,945</u> | <u>687,949</u> |
| Total net assets-ending | <u>\$ 687,949</u> | <u>\$ 889,618</u> |

See notes to financial statements

Business-type Activities
-Enterprise Funds

Governmental Activities-

| Water Fund | | | Internal Service Funds | | |
|-------------------|-------------------|---------------------|------------------------|-------------------|--|
| Prior Year | Current Year | Totals | Prior Year | Current Year | |
| \$ 50,610 | \$ 27,531 | \$ 27,531 | \$ | \$ | |
| 97,296 | 85,655 | 106,442 | | | |
| | | | 59,585 | 71,707 | |
| <u>2,084</u> | <u>5,417</u> | <u>7,384</u> | | | |
| <u>149,990</u> | <u>118,603</u> | <u>141,357</u> | <u>59,585</u> | <u>71,707</u> | |
| 23,592 | 23,197 | 41,462 | 28,388 | 33,025 | |
| 24,965 | 29,405 | 42,667 | | | |
| 15,215 | 12,344 | 16,135 | 4,128 | 5,242 | |
| | | | 15,636 | 15,514 | |
| 10,338 | 11,869 | 18,854 | | | |
| 1,069 | 3,222 | 6,462 | | | |
| 6,587 | 12,943 | 14,407 | | | |
| 1,899 | 3,550 | 3,873 | 106 | 40 | |
| | | | 1,631 | 2,433 | |
| 536 | 295 | 442 | | | |
| 530 | 395 | 395 | 36 | | |
| <u>1,103</u> | <u>330</u> | <u>330</u> | | | |
| <u>85,834</u> | <u>97,550</u> | <u>145,027</u> | <u>49,925</u> | <u>56,254</u> | |
| <u>64,156</u> | <u>21,053</u> | <u>(3,670)</u> | <u>9,660</u> | <u>15,453</u> | |
| (10,453) | | | | | |
| | | 3,556 | | | |
| | | 221,136 | | | |
| 750 | 44 | 64 | 33 | | |
| | | | 756 | 2,948 | |
| 13,351 | 14,631 | 16,311 | 3,061 | 3,089 | |
| <u>(17,689)</u> | <u>(16,903)</u> | <u>(16,903)</u> | | | |
| <u>(14,041)</u> | <u>(2,228)</u> | <u>224,164</u> | <u>3,850</u> | <u>6,037</u> | |
| 50,115 | 18,825 | 220,494 | 13,510 | 21,490 | |
| 10,016 | | | | | |
| <u>759,110</u> | <u>819,241</u> | <u>1,507,190</u> | <u>172,473</u> | <u>185,983</u> | |
| <u>\$ 819,241</u> | <u>\$ 838,066</u> | <u>\$ 1,727,684</u> | <u>\$ 185,983</u> | <u>\$ 207,473</u> | |

Village of Central Lake
Statement of Cash Flows
Proprietary Funds
For the Year Ended February 29, 2008

| | <u>Business-type Activities</u> <u>-Enterprise Funds</u> | |
|--|---|---------------------|
| | <u>Sewer Fund</u> | |
| | <u>Prior Year</u> | <u>Current Year</u> |
| CASH FLOWS FROM OPERATING | | |
| ACTIVITIES | | |
| Receipts from taxes and adm. fees | \$ | \$ |
| Receipts from customers and users | 23,383 | 24,960 |
| Payments to suppliers | (16,853) | (16,508) |
| Payments to employees | (10,481) | (13,262) |
| Net cash provided (used) by operating activities | (3,951) | (4,810) |
| CASH FLOWS FROM NONCAPITAL | | |
| FINANCING ACTIVITIES | | |
| Transfer in(out) | | |
| Due from other funds | | |
| Miscellaneous revenue (expense) | | 20 |
| Net cash provided (used) by noncapital financing activities | 10,453 | 20 |
| CASH FLOWS FROM CAPITAL AND | | |
| RELATED FINANCING | | |
| ACTIVITIES | | |
| State grants | 68,306 | 221,136 |
| Sale of assets | | |
| Capital outlays | (85,248) | (221,136) |
| Special assessments | 5,625 | 3,556 |
| Interest expense | | |
| Payment of principal on long-term debt | | |
| Net cash provided (used) by capital and related financing activities | (11,317) | 3,556 |
| CASH FLOWS FROM INVESTING | | |
| ACTIVITIES | | |
| Restricted cash | | |
| Interest received | 2,250 | 1,680 |
| Net cash provided (used) by investing activities | 2,250 | 1,680 |

Business-type Activities
-Enterprise Funds

Governmental Activities-

| Water Fund | | Totals | Internal Service Funds | |
|---------------|---------------|---------------|------------------------|---------------|
| Prior Year | Current Year | | Prior Year | Current Year |
| \$ 50,610 | \$ 27,531 | \$ 27,531 | \$ | \$ |
| 88,104 | 94,894 | 119,854 | 59,585 | 71,707 |
| (37,226) | (44,769) | (61,277) | (23,068) | (26,104) |
| (24,965) | (29,405) | (42,667) | | |
| <u>76,523</u> | <u>48,251</u> | <u>43,441</u> | <u>36,517</u> | <u>45,603</u> |
| (10,453) | | | | |
| 50,000 | | | | |
| <u>750</u> | <u>44</u> | <u>64</u> | <u>33</u> | |
| <u>40,297</u> | <u>44</u> | <u>64</u> | <u>33</u> | |
| | | 221,136 | | |
| | | (221,136) | 756 | 2,948 |
| | | 3,556 | (49,292) | |
| (17,883) | (17,144) | (17,144) | | |
| (20,000) | (25,000) | (25,000) | | |
| (37,883) | (42,144) | (38,588) | (48,536) | 2,948 |
| (5,485) | 1,110 | 1,110 | | |
| <u>13,351</u> | <u>14,631</u> | <u>16,311</u> | <u>3,061</u> | <u>3,089</u> |
| <u>7,866</u> | <u>15,741</u> | <u>17,421</u> | <u>3,061</u> | <u>3,089</u> |

Village of Central Lake
Statement of Cash Flows
Proprietary Funds
For the Year Ended February 29, 2008
(Continued)

| | <u>Business-type Activities</u> <u>-Enterprise Funds</u> | |
|---|---|---------------------|
| | <u>Sewer Fund</u> | |
| | <u>Prior Year</u> | <u>Current Year</u> |
| Net increase (decrease) in cash and cash equivalents | (2,565) | 446 |
| Cash and cash equivalents, beginning | <u>51,272</u> | <u>48,707</u> |
| Cash and cash equivalents, ending | <u>\$ 48,707</u> | <u>\$ 49,153</u> |

See notes to financial statements

Business-type Activities
-Enterprise Funds

Governmental Activities-

| Water Fund | | Totals | Internal Service Funds | |
|-------------------|---------------------|-------------------|------------------------|---------------------|
| <u>Prior Year</u> | <u>Current Year</u> | | <u>Prior Year</u> | <u>Current Year</u> |
| 86,803 | 21,892 | 22,338 | (8,925) | 51,640 |
| <u>185,702</u> | <u>272,506</u> | <u>321,213</u> | <u>79,234</u> | <u>70,309</u> |
| <u>\$ 272,505</u> | <u>\$ 294,398</u> | <u>\$ 343,551</u> | <u>\$ 70,309</u> | <u>\$ 121,949</u> |

Village of Central Lake
Statement of Cash Flows
Proprietary funds
For the Year Ended February 29, 2008
(Continued)

| Business-type Activities | | | |
|---|-------------------|------------------|------------------|
| - Enterprise Funds | | | |
| | <u>Sewer</u> | <u>Water</u> | <u>Totals</u> |
| Reconciliation of operating income to net cash provided (used) by operating activities: | | | |
| Operating income(loss) | \$(24,723) | \$ 21,053 | \$ 15,453 |
| Adjustments to reconcile operating income to net cash provided(used) by operating activities: | | | |
| Depreciation expense | 18,265 | 23,197 | 33,025 |
| (Increase) decrease in accounts receivable | 2,206 | 3,822 | |
| Increase (decrease) in accounts payable | (558) | 179 | (2,875) |
| Total adjustments | <u>19,913</u> | <u>27,198</u> | <u>30,150</u> |
| Net cash provided (used) by operating activities | <u>\$(4,810)</u> | <u>\$ 48,251</u> | <u>\$ 45,603</u> |

See notes to financial statements

Governmental
Activities-
Internal
Service
Funds

\$ 11,783

74,487

6,028

(3,254)

77,261

\$ 89,044

Village of Central Lake
Notes to the Financial Statements
February 29, 2008

I. Summary of significant accounting policies

The financial statements of the Village of Central Lake (the Village) have been prepared in conformity with U.S. generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Village's accounting policies are described below.

A. Reporting entity

The Village is governed by an elected seven-member board. The accompanying financial statements present the Village's operations for which the government is considered to be financially accountable. The Village has no component units and is not responsible for any jointly governed organizations.

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the Village. For the most part, the effect of the interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from the goods, services or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. The Village does not have any fiduciary funds.

I. Summary of significant accounting policies (Continued)

C. Measurement focus, basis of accounting and financial statement presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provided have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Village considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgements, are recorded only when a payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Village.

The Village property tax is levied each December 1st on the taxable valuation of property (as defined by State statutes) located in the Village as of the preceding December 31st. Real property taxes not collected as of October 15th are turned over to Antrim County, which advances the Village 100% for the delinquent taxes.

The 2007 taxable valuation of the Village totaled \$27,580,832, on which ad valorem taxes levied consisted of 7.5231 mills for Village operating purposes. This amount is recognized in the General Fund as current tax revenue. Also, the Village has a street and water millage levies that were voted for by the Village residents of 3.7473 and 1.0000 mills, respectively.

I. Summary of significant accounting policies (Continued)

C. Measurement focus, basis of accounting and financial statement presentation (Continued)

The Village reports the following major governmental funds:

The *general fund* is the Village's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *special revenue funds* are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for particular purposes. These funds include the Major and Local Street Funds.

The Village reports the following major proprietary funds:

The *sewer and water funds* account for activities of the business-type - Enterprise Fund of the Village. The intent of the Village's Board is that the costs of providing sewer and water service to the general public on a continuing basis be financed or recovered primarily through user charges.

Internal service funds account for the financing of goods and services provided to other departments or agencies of the government, or to other governments, on a cost reimbursement basis. The Village's equipment fund is an internal service fund.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments of equipment charges to the equipment fund, and other charges between the government's sewer and water functions and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

I. Summary of significant accounting policies (Continued)

C. Measurement focus, basis of accounting and financial statement presentation (Continued)

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the government's enterprise fund, and of the government's internal service fund are charges to customers for sales and services. The government also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for the enterprise funds and internal service fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use unrestricted sources first, then unrestricted resources as they are needed.

D. Assets, liabilities, and net assets or equity

1. Deposits and investments

The Village's cash and cash equivalents are considered to be cash on hand, demand deposits, short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the Village to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, saving and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or Nation Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which mature not more than 270 days after the date of purchase. The Village is also authorized to invest in U.S. Government or federal agency

I. Summary of significant accounting policies (Continued)

D. Assets, liabilities, and net assets or equity (Continued)

1. Deposits and investments (Continued)

obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

2. Receivables and payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

All trade and property tax receivables are shown net of allowance for uncollectible amounts. Trade accounts receivable in excess of 90 days comprise the trade accounts receivable allowance for uncollectibles.

Property taxes are levied on each December 1st on the taxable valuation of property as of the preceding December 31st. Taxes are considered delinquent on October 15th of the following year, at which time penalties and interest are assessed.

It is the Village's policy to place delinquent sewer, water, and garbage bills on the tax rolls on an annual basis. Delinquent water bill customers also have their service shut off until the bills are paid in full.

3. Inventories and prepaid items

Proprietary fund inventories are recorded at the lower of cost or market on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

4. Restricted assets

Certain proceeds of the Village's water revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because they are maintained in separate bank accounts and their use is

I. Summary of significant accounting policies (Continued)

D. Assets, liabilities, and net assets or equity (Continued)

limited by applicable bond covenants.

The Village has two accounts at Peoples State Bank in a certificate of deposit valued at \$54,139 and a checking account with a balance of \$17,481 as of February 29, 2008. These monies are reserved in the Water Fund for payment of future debt payments.

5. Capital assets

Capital assets, which include property, plant, and equipment are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Village as assets with an initial individual cost of more than \$500 and an estimated useful life in excess of two years. Such assets are recorded as historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Property, plant, and equipment of the Village is depreciated using the straight-line method over the following estimated useful lives:

| <u>Assets</u> | <u>Years</u> |
|--------------------------|--------------|
| Vehicles | 5-20 |
| Buildings & improvements | 30 |
| Water system | 10-50 |
| Sewer system | 50 |
| Parks & recreation | 10 |
| Campground | 10 |
| Machinery & equipment | 5-15 |
| Streetscape improvements | 20 |

6. Compensated absences

The Village does not account for employee accrued sick and vacation pay. The Village's policy is to reimburse its employees for any sick and/or vacation pay unused at year-end.

7. Long-term obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets.

I. Summary of significant accounting policies (Continued)

D. Assets, liabilities, and net assets or equity (Continued)

8. Fund equity

In the fund financial statements, governmental funds report the reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

9. Comparative data/reclassifications

Comparative total data for the prior year have been presented for the individual enterprise and internal service funds in the fund financial statements in order to provide an understanding of the changes in the financial position and operations of these funds. Also, certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

II. Stewardship, compliance, and accountability

A. Budgetary information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. All annual appropriations lapse at fiscal year end.

The Village follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The President submits to the Village Council a proposed budget for the fiscal year commencing on March 1st. The operating budget includes proposed expenditures and the means of financing them. The level of control for the budgets is at the functional level as set forth in the combined statement of revenues, expenditures and changes in fund balances - budget and actual - GAAP basis - general funds.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to February 29, the budget is legally adopted by the Village Council as a resolution pursuant to the Uniform Budgeting and Accounting Act (P.A. 621 of 1978). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other

II. Stewardship, compliance, and accountability (Continued)

A. Budgetary information (Continued)

financing sources will be less than anticipated or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, or in excess of the amount appropriated.

4. The President is authorized to transfer budgeted amounts between major expenditure functions within any fund; however, these transfers and any revisions that alter the total expenditures of any fund must be approved by the Village Council.
5. Formal budgetary integration is employed as a management control device during the year for the general, major street and local street funds.
6. The budget as presented, has not been amended. Supplemental appropriations were made during the year with the last one approved prior to March 1st.

B. Excess of expenditures over appropriations

For the year ended February 29, 2008, expenditures exceeded appropriations in the following activities:

| | <u>Final Budget</u> | <u>Actual</u> | <u>Variance</u> |
|------------------------|-------------------------|---------------|-----------------|
| General Fund: | | | |
| Legislative: | | | |
| Village council | \$ 8,850 | \$ 6,263 | \$ (2,587) |
| General Government: | | | |
| President | 2,670 | 2,845 | (175) |
| Hall & grounds | 15,700 | 16,041 | (341) |
| Public Works: | | | |
| Sidewalks | 13,700 | 14,281 | (581) |
| Streetlights | 13,000 | 17,105 | (4,105) |
| Recreation & culture: | | | |
| Parks & recreation | 18,550 | 20,317 | (1,767) |
| Campground | 28,525 | 29,960 | (1,435) |
| Other: | | | |
| Pension | | 20,621 | (20,621) |
| Unemployment | 200 | 1,009 | (809) |
| Workmen's compensation | 5,000 | 5,099 | (99) |
| Liability insurance | 15,000 | 15,326 | (326) |
| Special item | | 4,461 | (4,461) |
| Major Street Fund: | | | |
| Public works | 67,700 | 137,773 | (70,073) |
| Local Street Fund: | | | |
| Public works | 25,850 | 44,730 | (18,880) |

II. Stewardship, compliance, and accountability (Continued)

B. Excess of expenditures over appropriations (Continued)

These overexpenditures were funded by the General Fund, Major Street, and Local Street Fund's fund balances, respectively.

III. Detailed notes on all funds

A. Deposits and investments

Deposits

The Village's policies regarding deposits of cash are discussed in Note 1. The table presented below is designed to disclose the level of custody credit risk assumed by the Village based upon how its deposits were insured or secured with collateral at February 29, . The categories of credit risk are defined as follows:

Category 1 - Insured by FDIC or collateralized with securities held by the Village (or public trust) or by its agent in its name.

Category 2 - Uninsured but collateralized with securities held by the pledging financial institution's trust department or agent in the Village's name.

Category 3 - Uninsured and uncollateralized; or collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the Village's name; or collateralized with no written or approved collateral agreement.

| | <u>Custody Credit Risk</u> | | | | |
|----------------------------|-----------------------------------|-----------------------|-----------------------|-----------------------|-------------------------------------|
| | <u>Total Bank Balance</u> | <u>Category 1</u> | <u>Category 2</u> | <u>Category 3</u> | <u>Total Carrying Value</u> |
| Demand deposits | \$359,298 | \$320,941 | \$ 38,357 | \$ | \$354,136 |
| Certificate of deposits | <u>459,352</u> | <u>254,139</u> | <u>205,213</u> | | <u>459,352</u> |
| | <u>\$818,650</u> | <u>\$575,080</u> | <u>\$243,570</u> | <u>\$</u> | <u>\$813,488</u> |

Investments

The Village did not have any investments as of February 29, 2008.

III. Detailed notes on all funds (Continued)

A. Deposits and investments (Continued)

A reconciliation of cash as shown on the statements of net assets follows:

| | |
|-----------------------------|----------------|
| Carrying amount of deposits | \$ 354,136 |
| Certificate of deposits | <u>459,352</u> |

| | |
|-------|-------------------|
| Total | <u>\$ 813,488</u> |
|-------|-------------------|

Cash and cash equivalents:

| | |
|---|-----------------|
| General, major street, and local street funds | \$ 281,530 |
| Sewer and water funds | 415,171 |
| Equipment fund | 121,949 |
| Checks written in excess of deposits | <u>(5,162)</u> |

| | |
|-------|-------------------|
| Total | <u>\$ 813,488</u> |
|-------|-------------------|

B. Receivables

Receivables as of year end for the government's individual major funds consist of \$11,925 and \$4,109, respectively in the major street and local street funds. These receivables represent monies owed from the State of Michigan for state Act 51 monies, local road plan and snow removal costs. The receivables in the enterprise funds consist of accounts receivable from customers of \$25,448.

C. Capital assets

Capital asset activity for the year ended February 28, was as follows:

| | <u>Beginning Balance</u> | <u>Increases</u> | <u>Decreases</u> | <u>Ending Balance</u> |
|---|------------------------------|------------------|------------------|---------------------------|
| Governmental activities | | | | |
| Capital assets, not being depreciated: | | | | |
| Land & improvements | \$ 16,400 | \$ | \$ | \$ 16,400 |
| Total capital assets, not being depreciated | <u>16,400</u> | | | <u>16,400</u> |
| Capital assets, being depreciated: | | | | |
| Buildings & improvements | 3,500 | | | 3,500 |
| Machinery & equipment | 432,706 | | | 432,706 |
| Vehicles | 42,823 | | | 42,823 |
| Parks & recreation | 38,725 | | | 38,725 |

| | <u>Beginning Balance</u> | <u>Increases</u> | <u>Decreases</u> | <u>Ending Balance</u> |
|--|------------------------------|------------------|------------------|---------------------------|
| Governmental activities | | | | |
| Campground | 5,079 | | | 5,079 |
| Streetscape improvements | <u>655,556</u> | <u>94,162</u> | | <u>749,718</u> |
| Total capital assets being depreciated | <u>1,178,389</u> | <u>94,162</u> | | <u>1,272,551</u> |
| Less accumulated depreciation for: | | | | |
| Buildings & improvements | (3,500) | | | (3,500) |
| Machinery & equipment | (347,222) | (24,460) | | (371,682) |
| Vehicles | (8,802) | (8,565) | | (17,367) |
| Parks & recreation | (27,591) | (1,172) | | (28,763) |
| Campground | (5,079) | | | (5,079) |
| Streetscape improvements | (58,570) | (35,130) | | (93,700) |
| Total accumulated depreciation | <u>(450,764)</u> | <u>(69,327)</u> | | <u>(520,091)</u> |
| Total capital assets, being depreciated, net | <u>727,625</u> | <u>24,835</u> | | <u>752,460</u> |
| Governmental activities capital assets, net | <u>\$ 744,025</u> | <u>\$ 24,835</u> | <u>\$</u> | <u>\$ 768,860</u> |
| Business-type activities (Enterprise Funds) | | | | |
| Capital assets, not being depreciated: | | | | |
| Land | <u>\$ 51,070</u> | <u>\$</u> | <u>\$</u> | <u>\$ 51,070</u> |
| Capital assets, being depreciated: | | | | |
| Machinery & equipment | 205,304 | | | 205,304 |
| Sewer collection system | 911,819 | 221,136 | | 1,132,965 |
| Water distribution system | <u>954,389</u> | | | <u>954,389</u> |
| Total capital assets, being depreciated | <u>2,071,512</u> | <u>221,136</u> | | <u>2,292,648</u> |
| Less accumulated depreciation for: | | | | |
| Machinery & equipment | (173,810) | (5,621) | | (179,431) |
| Sewer collection system | (313,264) | (18,265) | | (331,529) |
| Water distribution system | <u>(243,908)</u> | <u>(17,577)</u> | | <u>(261,485)</u> |

| | <u>Beginning Balance</u> | <u>Increases</u> | <u>Decreases</u> | <u>Ending Balance</u> |
|--|------------------------------|-------------------|------------------|---------------------------|
| Business-type activities (Enterprise Funds) | | | | |
| Total accumulated depreciation | (730,982) | (41,463) | | (772,445) |
| Total capital assets, being depreciated, net | <u>1,340,530</u> | <u>179,673</u> | | <u>1,520,203</u> |
| Business-type activities capital assets, net | <u>\$1,391,600</u> | <u>\$ 179,673</u> | <u>\$</u> | <u>\$1,571,273</u> |

Depreciation expense was charged to functions/programs of the government as follows:

| | |
|---|------------------|
| Governmental activities: | |
| Parks & recreation | \$ 1,172 |
| Public works | 35,130 |
| Internal service fund | <u>33,025</u> |
| Total depreciation expense- governmental activities | <u>\$ 69,327</u> |
| Business-type activities: | |
| Sewer | \$ 18,265 |
| Water | <u>23,198</u> |
| Total depreciation expense- business-type activities | <u>\$ 41,463</u> |

D. Interfund receivables, payables, and transfers

Interfund transfers:

| | <u>Transfer In:</u> | | |
|--------------------|----------------------------------|-----------------------|------------------|
| | <u>Major Street Fund</u> | <u>Sewer Fund</u> | <u>Total</u> |
| Transfer out: | | | |
| Local Street fund | <u>\$ 65,600</u> | <u>\$ -</u> | <u>\$ 65,600</u> |
| Total transfers in | <u>\$ 65,600</u> | <u>\$ -</u> | <u>\$ 65,600</u> |

The composition of interfund balances as of February 28, , is as follows:

Due to/from other funds:

| <u>Receivable Fund</u> | <u>Payable Fund</u> | <u>Amount</u> |
|------------------------|---------------------|-----------------|
| General | Water | <u>\$ 6,271</u> |

III. Detailed notes on all fund (Continued)

E. Long-term debt

Revenue bonds

The Village issued bonds on February 4, 1999 to be paid from the revenues of the water system. The bonds were issued for the water supply system, a business-type activity. The original amount of the bond was \$460,000. Revenue bonds outstanding at year end are as follows:

| <u>Purpose</u> | <u>Interest Rates</u> | <u>Amount</u> |
|--------------------------|-----------------------|-------------------|
| Business-type activities | 5.8% | <u>\$ 280,000</u> |

Revenue bond debt service requirements to maturity are as follows:

| <u>Year Ending February 28,</u> | <u>Principal</u> | <u>Interest</u> |
|-------------------------------------|-------------------|------------------|
| 2009 | \$ 25,000 | \$ 15,808 |
| 2010 | 25,000 | 14,445 |
| 2011 | 25,000 | 13,070 |
| 2012 | 30,000 | 11,682 |
| 2013 | 30,000 | 10,018 |
| 2014-2016 | <u>145,000</u> | <u>21,320</u> |
| Total | <u>\$ 280,000</u> | <u>\$ 86,343</u> |

Changes in long-term liabilities

Long-term liability activity for the year ended February 29, 2008 was as follows:

| | <u>Beginning Balance</u> | <u>Additions (Reductions)</u> | <u>Ending Balance</u> | <u>Due Within One Year</u> |
|--------------------------------------|------------------------------|-----------------------------------|---------------------------|--------------------------------|
| Business-type activities: | | | | |
| Bonds payable: | | | | |
| Revenue bonds | <u>\$ 305,000</u> | <u>\$ (25,000)</u> | <u>\$ 280,000</u> | <u>\$ 25,000</u> |

III. Detailed notes on all funds (Continued)

F. Segment information

The Village issued revenue bonds on February 4, 1999 to help finance the water supply system. Summary financial information for the water department is presented below.

CONDENSED STATEMENT OF NET ASSETS

| | |
|---|-------------------|
| Assets: | |
| Current assets | \$ 325,517 |
| Restricted assets | 71,620 |
| Capital assets | <u>730,995</u> |
| Total assets | <u>1,128,132</u> |
| Liabilities: | |
| Current liabilities | 35,066 |
| Bonds payable-noncurrent | <u>255,000</u> |
| Total liabilities | <u>290,066</u> |
| Net assets: | |
| Invested in capital assets, net of related debt | 450,995 |
| Restricted | 71,620 |
| Unrestricted | <u>315,451</u> |
| Total net assets | <u>\$ 838,066</u> |

CONDENSED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

| | |
|---------------------------------------|-------------------|
| Water charges (pledged against bonds) | \$ 91,072 |
| Taxes & administrative fees | 27,531 |
| Depreciation expense | (23,197) |
| Other operating expenses | <u>(74,353)</u> |
| Operating income | 21,053 |
| Nonoperating revenues(expenses): | |
| Investment earnings | 14,631 |
| Miscellaneous revenue | 44 |
| Interest expense | <u>(16,903)</u> |
| Change in net assets | 18,825 |
| Beginning net assets | <u>819,241</u> |
| Ending net assets | <u>\$ 838,066</u> |

III. Detailed notes on all funds (Continued)

F. Segment information (Continued)

CONDENSED STATEMENT OF CASH FLOWS

| | |
|--|-------------------|
| Net cash provided (used) by: | |
| Operating activities | \$ 48,251 |
| Noncapital financing activities | 44 |
| Capital and related financing activities | (42,144) |
| Investing activities | <u>15,741</u> |
| Net increase (decrease) | 21,892 |
| Beginning cash and cash equivalents | <u>272,506</u> |
| Ending cash and cash equivalents | <u>\$ 294,398</u> |

IV. Other information

A. Risk management

The Village is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and employee injuries (workers compensation). The Village was unable to obtain general liability insurance at a cost it considered to be economically justifiable. The Village joined together with other governments and created a public entity risk pool currently operating as a common risk management and insurance program. The Village pays an annual premium to the pool for its general insurance coverage.

The Village has purchased commercial insurance for all other risks of loss. Settlements claims have not exceeded coverages for each of the past three fiscal years.

The pooling agreement allows for the pool to make additional assessments to make the pool self-sustaining. The Village is unable to provide an estimate of the amounts of additional assessments.

B. Pension plan

The Village adopted a defined benefit pension plan with the Municipal Employees' Retirement System of Michigan (MERS) on June 1, 2007. There are three(3) active members, no vested former members, and no retirees and beneficiaries. The normal retirement age is 60 years old. The unfunded accrued liability as of June 1, 2007 is \$9,310. The required employer contribution is \$9,824, or 10.13% as a percentage of payroll. During the fiscal year ending February 29, 2008, the Village contributed \$20,621 to the pension plan.

Required Supplementary Information

Village of Central Lake
General Fund
Statement of Revenues, Expenditures, and Changes
in Fund Balance - Budget and Actual
For the Year Ended February 29, 2008

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | <u>Variance</u> |
|---------------------------------------|-------------------------|----------------|----------------|--|
| | <u>Original</u> | <u>Final</u> | <u>Amounts</u> | <u>with Final Budget Positive (Negative)</u> |
| REVENUES | | | | |
| Property taxes and related fees | \$202,000 | \$ 202,000 | \$205,994 | \$ 3,994 |
| Intergovernmental revenue from state: | | | | |
| State revenue sharing | 75,000 | 75,000 | 88,218 | 13,218 |
| Liquor license fees | 1,250 | 1,250 | 1,310 | 60 |
| Charges for services | 750 | 750 | 915 | 165 |
| Fines and forfeits | 1,500 | 1,500 | 1,842 | 342 |
| Interest earnings | 2,000 | 2,000 | 3,694 | 1,694 |
| Rents and royalties | 48,850 | 48,850 | 55,327 | 6,477 |
| Other revenue: | | | | |
| Miscellaneous | 700 | 700 | 1,988 | 1,288 |
| All other refunds and rebates | | | 1,074 | 1,074 |
| Total revenues | <u>332,050</u> | <u>332,050</u> | <u>360,362</u> | <u>28,312</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| Legislative: | | | | |
| Village council | <u>8,850</u> | <u>8,850</u> | <u>6,263</u> | <u>2,587</u> |
| General government: | | | | |
| President | 2,670 | 2,670 | 2,845 | (175) |
| Professional services | 7,500 | 7,500 | 7,350 | 150 |
| Clerk/treasurer | 44,350 | 44,350 | 43,225 | 1,125 |
| Hall & grounds | 15,700 | 15,700 | 16,041 | (341) |
| All other governmental | <u>2,500</u> | <u>2,500</u> | <u>2,475</u> | <u>25</u> |
| Total general government | <u>72,720</u> | <u>72,720</u> | <u>71,936</u> | <u>784</u> |

Village of Central Lake
General Fund
Statement of Revenues, Expenditures, and Changes
in Fund Balance - Budget and Actual
For the Year Ended February 29, 2008
(Continued)

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | <u>Variance</u> |
|-----------------------|-------------------------|---------------|----------------|-------------------|
| | <u>Original</u> | <u>Final</u> | <u>Amounts</u> | <u>with</u> |
| | | | | <u>Final</u> |
| | | | | <u>Budget</u> |
| | | | | <u>Positive</u> |
| | | | | <u>(Negative)</u> |
| EXPENDITURES | | | | |
| (CONTINUED): | | | | |
| Current: | | | | |
| Public safety: | | | | |
| Zoning administrator | 1,900 | 1,900 | 1,175 | 725 |
| Crime control | <u>67,500</u> | <u>67,500</u> | <u>44,441</u> | <u>23,059</u> |
| Total public | | | | |
| safety | <u>69,400</u> | <u>69,400</u> | <u>45,616</u> | <u>23,784</u> |
| Public works: | | | | |
| Sidewalks | 13,700 | 13,700 | 14,281 | (581) |
| Department of | | | | |
| public works | 46,650 | 46,650 | 40,563 | 6,087 |
| Street lights | <u>13,000</u> | <u>13,000</u> | <u>17,105</u> | <u>(4,105)</u> |
| Total public | | | | |
| works | <u>73,350</u> | <u>73,350</u> | <u>71,949</u> | <u>1,401</u> |
| Community/economic | | | | |
| development: | | | | |
| Planning | | | | |
| commission | <u>400</u> | <u>400</u> | <u>77</u> | <u>323</u> |
| Recreation & culture: | | | | |
| Parks & recreation | 18,550 | 18,550 | 20,317 | (1,767) |
| Campground | <u>28,525</u> | <u>28,525</u> | <u>29,960</u> | <u>(1,435)</u> |
| Total recreation | | | | |
| & culture | <u>47,075</u> | <u>47,075</u> | <u>50,277</u> | <u>(3,202)</u> |

Village of Central Lake
General Fund
Statement of Revenues, Expenditures, and Changes
in Fund Balance - Budget and Actual
For the Year Ended February 29, 2008
(Continued)

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | <u>Variance</u> |
|---------------------|-------------------------|----------------|------------------|--|
| | <u>Original</u> | <u>Final</u> | <u>Amounts</u> | <u>with</u> <u>Final</u> <u>Budget</u> <u>Positive</u> <u>(Negative)</u> |
| EXPENDITURES | | | | |
| (CONTINUED): | | | | |
| Other: | | | | |
| Fringes, benefits | | | | |
| and insurances: | | | | |
| Pension | | | 20,621 | (20,621) |
| Unemployment | 200 | 200 | 1,009 | (809) |
| Workmen's | | | | |
| compensation | 5,000 | 5,000 | 5,099 | (99) |
| Health insurance | 40,000 | 40,000 | 39,081 | 919 |
| Liability | | | | |
| insurance | 15,000 | 15,000 | 15,326 | (326) |
| Special item | | | 4,461 | (4,461) |
| Total other | <u>60,200</u> | <u>60,200</u> | <u>85,597</u> | <u>(25,397)</u> |
| Total | | | | |
| expenditures | <u>331,995</u> | <u>331,995</u> | <u>331,715</u> | <u>280</u> |
| Net change in fund | | | | |
| balance | 55 | 55 | 28,647 | 28,592 |
| Fund balance - | | | | |
| beginning | | | <u>110,175</u> | <u>110,175</u> |
| Fund balance - | | | | |
| ending | <u>\$ 55</u> | <u>\$ 55</u> | <u>\$138,822</u> | <u>\$ 138,767</u> |

See notes to financial statements

Village of Central Lake
Major Street Fund
Statement of Revenues, Expenditures, and Changes
in Fund Balance - Budget and Actual
For the Year Ended February 29, 2008

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | <u>Variance</u> |
|--|-------------------------|-----------------|------------------|--|
| | <u>Original</u> | <u>Final</u> | <u>Amounts</u> | <u>with Final Budget Positive (Negative)</u> |
| REVENUES | | | | |
| Intergovernmental revenue from state: | | | | |
| Streets & highways | \$ 54,500 | \$ 54,500 | \$ 58,881 | \$ 4,381 |
| Metro Act payment | 3,500 | 3,500 | 3,642 | 142 |
| Interest earnings | 200 | 200 | 102 | (98) |
| Reimbursements | 2,500 | 2,500 | 3,435 | 935 |
| Other | | | 3,482 | 3,482 |
| Total revenues | <u>60,700</u> | <u>60,700</u> | <u>69,542</u> | <u>8,842</u> |
| EXPENDITURES | | | | |
| Public works: | | | | |
| Administration | 350 | 350 | 348 | 2 |
| Routine maintenance | 27,900 | 27,900 | 24,150 | 3,750 |
| Winter maintenance | 12,550 | 12,550 | 27,813 | (15,263) |
| Traffic services | 200 | 200 | 21 | 179 |
| Streetscape improvements | <u>26,700</u> | <u>26,700</u> | <u>85,441</u> | <u>(58,741)</u> |
| Total expenditures | <u>67,700</u> | <u>67,700</u> | <u>137,773</u> | <u>(70,073)</u> |
| Excess(deficiency) of revenues over (under) expenditures | (7,000) | (7,000) | (68,231) | (61,231) |
| OTHER FINANCING SOURCES(USES) | | | | |
| Transfers in | <u>15,000</u> | <u>15,000</u> | <u>65,600</u> | <u>50,600</u> |
| Net change in fund balance | 8,000 | 8,000 | (2,631) | (10,631) |
| Fund balance - beginning | | | <u>13,273</u> | <u>13,273</u> |
| Fund balance - ending | <u>\$ 8,000</u> | <u>\$ 8,000</u> | <u>\$ 10,642</u> | <u>\$ 2,642</u> |

See notes to financial statements

Village of Central Lake
Local Street Fund
Statement of Revenues, Expenditures, and Changes
in Fund Balance - Budget and Actual
For the Year Ended February 29, 2008

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | <u>Variance</u> |
|---|-------------------------|------------------|------------------|--|
| | <u>Original</u> | <u>Final</u> | <u>Amounts</u> | <u>with Final Budget Positive (Negative)</u> |
| REVENUES | | | | |
| Property taxes | \$ 57,000 | \$ 57,000 | \$100,951 | \$ 43,951 |
| Intergovernmental revenue from state: | | | | |
| Streets & highways | 26,000 | 26,000 | 22,052 | (3,948) |
| Interest earnings | 1,500 | 1,500 | 6,121 | 4,621 |
| Reimbursements | | | 22 | 22 |
| Other | | | 95 | 95 |
| Total revenues | <u>84,500</u> | <u>84,500</u> | <u>129,241</u> | <u>44,741</u> |
| EXPENDITURES | | | | |
| Public works: | | | | |
| Administration | 350 | 350 | 348 | 2 |
| Routine maintenance | 12,600 | 12,600 | 18,492 | (5,892) |
| Winter maintenance | 10,700 | 10,700 | 17,169 | (6,469) |
| Traffic services | 200 | 200 | | 200 |
| Streetscape improvements | <u>2,000</u> | <u>2,000</u> | <u>8,721</u> | <u>(6,721)</u> |
| Total expenditures | <u>25,850</u> | <u>25,850</u> | <u>44,730</u> | <u>(18,880)</u> |
| Excess (deficiency) of revenues over (under) expenditures | 58,650 | 58,650 | 84,511 | 25,861 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers (out) | <u>(15,000)</u> | <u>(15,000)</u> | <u>(65,600)</u> | <u>(50,600)</u> |
| Net change in fund balance | 43,650 | 43,650 | 18,911 | (24,739) |
| Fund balance - beginning | | | <u>127,865</u> | <u>127,865</u> |
| Fund balance - ending | <u>\$ 43,650</u> | <u>\$ 43,650</u> | <u>\$146,776</u> | <u>\$103,126</u> |

See notes to financial statements

COMMENTS AND RECOMMENDATIONS

Members of the Village Council
Village of Central Lake
Central Lake, Michigan

My examination was made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as I considered necessary in the circumstances.

It was not necessary to make any comments and recommendations for the year ended February 29, 2008.

This letter supplements the information in the Financial Statements and Notes to Financial Statements. It is intended solely for the use of management and the Council Board and should not be used for any other purpose.

Barry E. Gaudette, CPA, P.C.

May 20, 2008